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RUEHBU/AMEMBASSY BUQOS AIRES 6670  
RUEHCV/AMEMBASSY CARACAS 3774  
RUEHPE/AMEMBASSY LIMA 4055  
RUEHMD/AMEMBASSY MADRID 4117  
RUEHMN/AMEMBASSY MONTEVIDEO 5619  
RUEHQT/AMEMBASSY QUITO 6396  
RUEHSG/AMEMBASSY SANTIAGO 1116  
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C O N F I D E N T I A L SECTION 01 OF 03 LA PAZ 001533

SIPDIS

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SUBJECT: EVO'S REGIONAL TRADE BLOCK BACKLASH

REF: LA PAZ 1485

Classified By: Acting EcoPol Chief Brian Quigley for reasons 1.4 (b,d.)

¶1. (C) SUMMARY. Bolivian President Evo Morales continues to irritate his Andean neighbors by criticizing their plans for free trade with the United States and the European Union (EU.) As the negotiations for the deals grow closer, the Andean Community of Nations (CAN) member states tell the Embassy that they will not allow Bolivian politics to paralyze their economic growth, even if it means straining relations. Meanwhile, the EU publicly keeps an optimistic outlook for Bolivia and the CAN and continues to defend the Morales government. END SUMMARY.

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ECUADOR: "OUR PERSONAL INTERESTS WILL ALWAYS COME FIRST"  
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¶2. (C) Ecuadorian Consul Maria Cecilia Arboleda told Econoff that despite the postponement of trade negotiations with the EU until September (which she attributed to the European summer months,) Ecuador remains hopeful for a successful outcome. She was concerned about the Bolivian's "strong" attitude regarding the negotiation, but acknowledged that "Ecuador is always in the middle. We will agree with Bolivia on some things (including the new EU migration proposal,) but our relations with Peru, Colombia, and the EU (Spain especially) are critical, particularly in the economic realm." She compared Bolivia to Ecuador 30 years ago and said that Ecuador would be hard-pressed to return to that era.

¶3. (C) In regards to questions about Ecuador not joining the People's Trade Agreement between Venezuela, Cuba and Bolivia (ALBA,) Arboleda confirmed that it was a difficult decision as Ecuador is politically left, but is focused primarily on their economic potential. She said that after much analyzing, the minuscule economic benefit of joining would not out-weigh the political stigma attached to such a "leftist political organization." Arboleda said that relations between Ecuador and ALBA countries were still strong, however, despite the decision. She mentioned that Ecuador representatives are

still invited to ALBA meetings, however have not been able to attend due to schedule conflicts.

¶4. (C) She stated that the U.S. is not the only one having a difficult working diplomatic relationship with the Bolivian government. While she didn't elaborate relating to the difficulties, she offered her sympathy for her "U.S. diplomatic colleagues that seem to get blamed for everything."

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PERU: "WE'LL LEAVE CAN, IF NECESSARY"  
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¶5. (C) Peruvian Economic and Commercial Advisor Gerardo Prado made no effort to hide his frustration with the Bolivian government at a meeting with Econoff July 8. He referenced the difficulties on all levels (reftel) including trade. Prado said Peruvian officials are tired of the Bolivian "meddling" as evident by their complaint to the Organization of American States (OAS.)

¶6. (C) He believes the CAN negotiations are being stalled because Bolivia wants to do everything in its power to put Peru in a negative light. According to Prado, the Bolivian private sector continues to criticize the Government's policy, most question why Bolivia isn't following the Peruvian model. The long-standing grudge toward Peru over the previous war and loss of sea access remains a factor.

¶7. (C) Prado said that the on-going diplomatic strain will

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continue to manifest itself in the CAN-EU and Peruvian-U.S. trade negotiations. Lima continues to grow impatient with Evo's antics, and if necessary, will break ties. Prado said that everyone at the Peruvian Embassy has a bag packed "should it come to that." (NOTE: Peruvian Political Counselor Hugo Contreras also confirmed that Lima is prepared to break diplomatic ties, if necessary. END NOTE.)Prado also said that Peru is prepared to leave the CAN if Bolivia continues to block the Intellectual Property Rights (IPR) changes necessary for Peru to continue with their FTA.

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COLOMBIA: "WE ARE WAITING FOR THE CRITICISM"  
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¶8. (C) In a July 8 meeting with Econoff, Maria del Pilar, Colombian Commercial Attach, was less critical of the Bolivian Government. She said that Colombia, due to the recent highly publicized hostage release, has been able to stay under Evo's radar for the most part. In comparison to Peru, which shares an Altiplano connection and Ecuador, which has a common political affiliation, Colombia and Bolivia have little in common. Pilar says the Embassy in La Paz is just waiting for Evo to turn his eye on Colombia and criticize their relationship with the U.S. She said that Colombia had tried to give aid to Bolivia last year, but when it came with conditions, it was rejected by the Bolivian government. "It has been a difficult year," she acknowledged.

¶9. (C) Pilar was not particularly concerned about the CAN negotiations, but did say that the FTA with the U.S. is a primary focus in Bogota. The CAN negotiations will go forward and Colombia will likely be in the same situation as Peru in terms of the required IPR changes, which is why they will support the Peruvian proposal. She couldn't be sure of Colombia's reaction if Bolivia continued to hold-up the deal, but suggested that President Uribe's trade focus comes before a shaky bilateral relationship.

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EU: "IT'S GETTING AWKWARD"  
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¶10. (C) EU trade delegate Ivo Hoefkens told Econoff that

Brussels is growing weary of the bickering among the CAN nations and the constant delays. He said that Peru is asking too much of the CAN to make changes based on trust alone. He said he understood the Bolivian position and the long-standing difficulties between Peru and Bolivia. Hoefkens explained that Bolivian and Ecuadorian objections to the trade proposal caused the delays in negotiations, which contradicts the Ecuadorian explanation (para 2.) If the deal becomes too difficult, Hoefkens does not believe that Brussels will fight to continue, as the CAN countries provide only 1% of EU imports, making the deal virtually one-sided.

¶11. (C) When questioned about the relationship with the Bolivian Government, Hoefkens defended Bolivian Trade Representative Pablo Salon and Vice-Minister Pablo Guzman. He said they are in close contact, and he believes the Bolivians have opened their minds on trade since the start of negotiations in September 2007. He said the EU continues to pressure the Bolivians to negotiate, and said that if Peru were to drop out of the CAN, the deal would be off entirely. Despite the seemingly-positive relationship, Hoefkens recognized the unprofessional nature of the current government and said "It is getting awkward."

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COMMENT  
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¶12. (C) The CAN is coming apart at the seams. Evo's recent meddling in Peruvian internal affairs coupled with Peru's determination to complete an FTA with the EU and implement the U.S. FTA may be the final thread that completely unravel the CAN. The EU position seems to be to sit back and see if the CAN can get its act together. However, based on the opinions given by the CAN countries, we doubt it. END COMMENT.  
GOLDBERG